

Mr. John P. Barber, Executive Vice President-Chief Financial Officer  
White Oak Manor, Inc.  
2407 South Pine Street  
Post Office Box 3347  
Spartanburg, South Carolina 29304

Re: AC# 3-WOR-J8 – White Oak Manor – Rock Hill

Dear Mr. Barber:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Mr. John P. Barber, Executive Vice President-Chief Financial Officer  
White Oak Manor, Inc.  
2407 South Pine Street  
Post Office Box 3347  
Spartanburg, South Carolina 29304

Re: Draft Report – AC# 3-WOR-J8 – White Oak Manor – Rock Hill

Dear Mr. Barber:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Ms. Cathy Crumpler, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director  
Division of Home Health and Nursing Home Services  
Department of Health and Human Services  
Post Office Box 8206  
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-WOR-J8 – White Oak Manor – Rock Hill

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Ms. Cathy Crumpler, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Mr. Jeff Saxon  
Mr. Robert M. Kerr



**WHITE OAK MANOR – ROCK HILL**

**ROCK HILL, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 1999  
AC# 3-WOR-J8**

**REPORT ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 23, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with White Oak Manor–Rock Hill, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by White Oak Manor–Rock Hill, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and White Oak Manor–Rock Hill dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
August 23, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor



**WHITE OAK MANOR – ROCK HILL**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 1999  
AC# 3-WOR-J8

	10/01/99- <u>09/30/00</u>
Interim reimbursement rate (1)	\$98.20
Adjusted reimbursement rate	<u>97.77</u>
Decrease in reimbursement rate	\$ <u><u>.43</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

**WHITE OAK MANOR – ROCK HILL**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1999 Through September 30, 2000  
AC# 3-WOR-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$50.58	\$54.43	
Dietary		9.64	9.69	
Laundry/Housekeeping/Maint.		<u>9.02</u>	<u>8.24</u>	
Subtotal	<u>\$3.12</u>	69.24	72.36	\$69.24
Administration & Med. Rec.	<u>\$4.10</u>	<u>7.46</u>	<u>11.56</u>	<u>7.46</u>
Subtotal		76.70	<u>\$83.92</u>	76.70
<u>Costs Not Subject to Standards:</u>				
Utilities		2.78		2.78
Special Services		.36		.36
Medical Supplies & Oxygen		2.60		2.60
Taxes and Insurance		1.17		1.17
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$83.61</u>		83.61
Inflation Factor (3.00%)				2.51
Cost of Capital				7.02
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.93
Cost Incentive				3.12
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.30)
CNA Add-On				.75
Nurse Aide Staffing Add-on				<u>2.13</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$97.77</u>

**WHITE OAK MANOR – ROCK HILL**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-WOR-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,586,956	\$ -	\$ -	\$2,586,956
Dietary	492,891	-	-	492,891
Laundry	143,220	-	-	143,220
Housekeeping	185,389	-	-	185,389
Maintenance	132,487	-	-	132,487
Administration & Medical Records	381,502	-	-	381,502
Utilities	142,135	-	-	142,135
Special Services	18,458	-	-	18,458
Medical Supplies & Oxygen	149,308	-	16,391 (2)	132,917
Taxes and Insurance	60,028	-	-	60,028
Legal Fees	42	-	-	42
Cost of Capital	<u>363,945</u>	<u>816</u> (1)	<u>5,870</u> (3)	<u>358,891</u>
Subtotal	4,656,361	816	22,261	4,634,916
Ancillary	35,331	-	-	35,331

**WHITE OAK MANOR – ROCK HILL**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-WOR-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Non-Allowable	129,858	16,391 (2) <u>5,870 (3)</u>	816 (1)	151,303
Total Operating Expenses	<u>\$4,821,550</u>	<u>\$23,077</u>	<u>\$23,077</u>	<u>\$4,821,550</u>
Total Patient Days	<u>51,146</u>	<u>-</u>	<u>-</u>	<u>51,146</u>
Total Beds	<u>141</u>			

**WHITE OAK MANOR – ROCK HILL**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-WOR-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 5,670	
	Cost of Capital	816	
	Other Equity	454	
	Accumulated Depreciation		\$ 6,124
	Non-Allowable		816
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	16,391	
	Medical Supplies		16,391
	To adjust PEN therapy cost		
	HIM-15-1, Section 2300		
3	Nonallowable	5,870	
	Cost of Capital		5,870
	To adjust capital return		
	State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$29,201</u>	<u>\$29,201</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**WHITE OAK MANOR – ROCK HILL**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-WOR-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>141</u>
Deemed Asset Value	4,953,330
Improvements Since 1981	821,859
Accumulated Depreciation at 09/30/98	<u>(1,347,813)</u>
Deemed Depreciated Value	4,427,376
Market Rate of Return	<u>.063</u>
Total Annual Return	278,925
Return Applicable to Non-Reimbursable Cost Centers	(255)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>42</u>
Allowable Annual Return	278,712
Depreciation Expense	84,768
Amortization Expense	1,140
Capital Related Income Offsets	(5,614)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(115)</u>
Allowable Cost of Capital Expense	358,891
Total Patient Days (Minimum 97% Occupancy)	<u>51,146</u>
Cost of Capital Per Diem	\$ <u><u>7.02</u></u>

**WHITE OAK MANOR – ROCK HILL**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-WOR-J8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$3.24
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.23</u>
Reimbursable Cost of Capital Per Diem	\$7.02
Cost of Capital Per Diem	<u>7.02</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>